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FISCAL IMPACT STATEMENT

LS 6546

BILL NUMBER: SB 142

NOTE PREPARED: Feb 27, 2012

BILL AMENDED: Feb 23, 2012

SUBJECT: Property Tax Issues.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Espich

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Income Capitalization*: This bill provides that if a taxpayer wishes to have the income capitalization method or the gross rent multiplier method used in the initial assessment of the taxpayer's property, the taxpayer must submit the necessary information to the assessor not later than the March 1 assessment date. It specifies that the taxpayer is not prejudiced or restricted in filing an appeal, if the data is not submitted by March 1.

Penalty: The bill imposes a \$50 penalty for failing to appear at a hearing before the county property tax assessment board of appeals (PTABOA) concerning the review of an assessment or deduction. It provides that a taxpayer is not required to pay a penalty under the following circumstances: (1) The notice filed by the taxpayer concerns the assessment of or a deduction from the assessed value of the taxpayer's homestead and the taxpayer is representing himself or herself before the PTABOA. (2) The taxpayer withdraws the request for a review at least five days before the hearing. (3) The taxpayer submitted a written request to reschedule the hearing and has not failed to appear at any previous hearing before the PTABOA concerning the taxpayer's request for a review. (4) The PTABOA waives the penalty at its own discretion.

Power of Attorney: This bill requires a power of attorney filed by a tax representative to specify each property subject to the power of attorney and that the power of attorney expires not more than three years after it is executed.

Assessor Certification: The bill provides that a candidate for the office of county assessor is required to attain the certification of a level three assessor-appraiser: (1) if the candidate did not hold the office of county assessor on January 1, 2012, and the candidate runs in an election after January 1, 2012; or (2) if the candidate held the office of county assessor on January 1, 2012, and the candidate runs in an election after January 1, 2016.

Assessor Education: This bill provides that the Department of Local Government Finance (DLGF) shall specify educational criteria for acceptable tested courses offered by nationally recognized assessing organizations, post-secondary educational institutions, and other education delivery organizations in each subject matter area of the curriculum designed for certification of a level three assessor-appraiser. (Current law provides that the only acceptable courses are those offered by nationally recognized assessing organizations.)

Indiana Board of Tax Review: The bill appropriates an additional \$250,000 to the Indiana Board of Tax Review (IBTR) to reduce the number of appeals pending before the board. It requires the Budget Agency to allot the money and any other amounts appropriated to the IBTR. The bill provides that amounts appropriated for state fiscal years beginning after June 30, 2012, may not be reverted unless the number of pending appeals is reduced to less than 1,000. It requires the IBTR to report to the Budget Committee in 2013 whether the additional resources have enabled the IBTR to significantly reduce the number of pending appeals and whether additional resources are necessary to manage the IBTR's caseload.

Effective Date: July 1, 2012.

Explanation of State Expenditures: (Revised) *Assessor Education:* Under current law, the DLGF must administer a program for level 3 assessor-appraiser certifications. The DLGF's curriculum must consist of courses offered by nationally recognized assessing organizations.

In addition to courses offered by nationally recognized assessing organizations this provision would require the DLGF to include courses offered by post-secondary educational institutions, and other education delivery organizations in each subject matter area of the curriculum. The DLGF would be required to maintain a representative list of acceptable courses. The DLGF would also have to furnish a procedure by which a candidate may seek approval of a course that is not on the list. The DLGF would incur additional administrative costs under this provision.

In addition, since the DLGF currently pays course tuition for the elected assessing official plus one additional person in a county, the DLGF might incur additional costs if they pay for courses from other providers and if those tuition fees are higher than the fees for the current courses.

Indiana Board of Tax Review: This bill would appropriate \$250,000 to the IBTR in FY 2013. The bill requires the State Budget Agency to allot the money to the IBTR. The money would have to be used to reduce the IBTR's case backlog. No money could be reverted unless fewer than 1,000 pending appeals remain.

Background: The IBTR reports that as of February 9, 2012, there were 5,634 open petitions. According to the IBTR, they received approximately 2,300 new petitions in each of the last two completed fiscal years.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Penalty:* Under current law, property taxpayers obtain a PTABOA review of a local assessor's action regarding real or personal property assessments and certain property tax deductions by filing a notice with the local assessor.

Beginning with hearing notices filed after June 31, 2012, under this proposal, the taxpayer would be required to pay a \$50 penalty if the taxpayer fails to appear at a hearing. The penalty would not apply if:

1. The hearing concerns a homestead and the taxpayer is self-represented;
2. The taxpayer withdraw the request for review at least 5 days before the hearing;

3. The taxpayer submitted a request to reschedule the hearing and has not failed to appear at any previous hearings; or
4. The county waives the penalty at its own discretion.

This provision could lead to reduced expenses for assessing officials if fewer appeals are filed or if some appeals are withdrawn before the officials prepare for the hearing.

Explanation of Local Revenues: (Revised) *Penalty*: This provision could lead to a small increase in county revenue.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review.

Local Agencies Affected: Local assessors; County property tax assessment boards of appeal.

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